

DIRECT TESTIMONY OF PHILIP BARNHARD

IN ILLINOIS COMMERCE COMMISSION

DOCKET NO. 10-0690

Q. Please state your name and business address.

A. My name is Philip Barnhard IV. My business address is 316 Market Street, P.O. Box 220, Mt. Carmel, IL 62863.

Q. By whom are you employed and in what capacity?

A. I am the Chairman of the Board, President and Chief Executive Officer of Mt. Carmel Public Utility Co. ("Mt. Carmel" or "Company").

Q. Please describe your qualifications.

A. I received a Bachelor of Arts in Chemistry from Harvard College in 1951. I received a Master of Arts in Mathematics from the University of Delaware in 1959. I served as a naval officer aboard the U.S.S. Ingersoll (DD652) from June 1951 to August 1953, leaving active service as engineering officer. I joined the Explosives Department of E I DuPont de Nemours & Co. Inc., working as a chemist at the Repauno Works in Gibbstown, NJ, initially in polymer intermediates and heavy chemicals, later as a research chemist in commercial and military explosives. In 1968, I started a three year stint in the Control Division, working at business and financial analysis and on computer methods and systems. In January 1972, I joined Mt. Carmel for two years as Vice-President and Treasurer; my duties included formulating the Uniform Fuel Adjustment Charge and implementing a conversion from manual posting of bills by Addressograph machinery to a computer. Later, I joined the Trojan - US Powder Division of

23 Commercial Solvents Corporation as Technical Director. Part of my duties included the
24 relocation of research facilities from Allentown, PA to Spanish Fork, UT. I left Trojan in late
25 1981 to work for Apache Powder Company in Benson, AZ as Technical Director of explosives
26 and nitric acid production. In July 1986 I joined Mt. Carmel as President. In 1989 I further
27 assumed the position of Chairman and CEO.

28 In my position I am responsible for general management of the Company. I have
29 implemented mechanization of office procedures where it has made sense, to reduce manual
30 transcription of routine business data, to reduce lag time in generating reports required by
31 authorities having jurisdiction, and to allow management to better perceive areas where
32 corrective action is required. I have coordinated implementation of the computer and billing
33 systems for the company. I have negotiated supply contracts for wholesale electric power and
34 energy and for natural gas supply.

35 Q. Have you previously testified before this Commission?

36 A. I have testified before the Illinois Commerce Commission on behalf of the Company,
37 particularly in areas of rates, FAC and PGA reconciliation, a major transmission line extension,
38 and in requesting authority to seek financing for expansion.

39 Q. What is the purpose of your testimony today?

40 A. By Order dated December 2, 2010, the Illinois Commerce Commission ordered Mt.
41 Carmel Public Utility Co. to present evidence showing the reconciliation of Purchased Gas
42 Adjustment revenues with the actual prudent cost of fuel and gas paid by the utility and

43 authorized to be collected under the utility's provisions of the Purchased Gas Adjustment. The
44 period to be covered is calendar year 2010.

45 These reconciliations have been made and my testimony is for the purpose of presenting
46 them and other exhibits.

47 Q. Please describe what Exhibit G-1 attached to this testimony is.

48 A. Exhibit G-1 is a copy of Company's Purchased Gas Adjustment Clause on file with and
49 approved by the Illinois Commerce Commission and in effect for the year 2010.

50 Q. Please describe what Exhibit G-2 attached to this testimony is.

51 A. Exhibit G-2 is a reconciliation of our receipts under the Purchased Gas Adjustment
52 Clause with the cost of fuel paid by Company in 2010. We have been filing monthly reports
53 with the Illinois Commerce Commission under the Uniform Purchased Gas Adjustment Clause
54 detailing our receipts and purchases so that information is on file with the Commission.

55 Q. Please explain Exhibit G-2 which addresses the Commodity Gas Charge.

56 A. The net of the reconciliation is an over recovery of (\$138,406) in the Commodity Gas
57 Charge, with an unamortized balance of \$193,135 at December 31, 2009, plus a Factor O of
58 \$116, and an as filed balance of \$136,917 at December 31, 2010. Line 11 shows an under
59 recovery balance at December 31, 2010, of \$117,053. This minus the Factor A Adjustment
60 shown on Line 12 result in a Requested Factor O of \$2,630 for the reconciliation year 2010,
61 Commodity Gas Charge.

62 Q. Please explain Exhibit G-2 which addresses the Non-Commodity Gas Charge.

63 A. The Non-Commodity Gas Charge shows an under recovery of \$4,065 in the Non-
64 Commodity Gas Charge, with an unamortized balance of (\$1,818) at December 31, 2009, plus a
65 Factor O of \$1, and an as filed balance of \$97 at December 31, 2010. Line 11 shows an under
66 recovery balance at December 31, 2010, of \$198. This minus the Factor A Adjustment shown
67 on Line 12 result in a Requested Factor O of (\$3) for the reconciliation year 2010, Non-
68 Commodity Gas Charge.

69 Q. Please explain Exhibit G-2 which addresses the Combined Gas Charge.

70 A. The Combined Gas Charge shows a total over recovery of (\$134,341), with an
71 unamortized balance of \$191,317 at December 31, 2009, plus a combined Factor O of \$117, and
72 with an as filed unamortized balance of \$137,014 at December 31, 2010. Line 11 shows an
73 under recovery balance at December 31, 2010, of \$117,251. This minus the Factor A
74 Adjustment shown on Line 12 result in a Requested Factor O of \$2,627 for the reconciliation
75 year 2010, for the net of the Commodity and Non-Commodity Gas Charges (Combined Gas
76 Charges).

77 Q. Who did you purchase natural gas from for the year 2010?

78 A. Our natural gas was purchased from Atmos Energy Marketing, L.L.C., with
79 transportation provided by the City of Grayville, Illinois and Texas Eastern Transmission Corp.

80 Q. Did you look at other suppliers in the year 2010?

81 A. Yes, an RFP was issued in 2010 for a new gas supply contract. The proposals were
82 reviewed and a new contract to commence April 1, 2011, was put in place. This did not affect
83 the gas purchased for 2010.

84 Q. Have you detailed the monthly PGA filings with your testimony as an exhibit?

85 A. No, we believe the above exhibits, together with our monthly filings with the
86 Commission, are sufficiently clear to eliminate the need of detailing them at this time.

87 Q. Have you attached to your testimony a copy of your independent auditor's report
88 addressing the PGA?

89 A. Yes, a copy of the independent auditor's report issued by Kemper CPA Group, LLP for
90 the year ended December 31, 2010, is attached to this testimony.

91 Q. Have you or will you give notice to your customers of the PGA filing?

92 A. By the time of the hearings on this matter public notice will have been published twice in
93 newspapers of general circulation in the cities and villages in which there are customers of the
94 company who are affected by the filing. The first publication will have been within ten (10)
95 days following the date of the filing and the second publication will have been made during the
96 week following. Notice will also have been posted in a prominent place in the office of the
97 company. Beginning with the date of this filing, copies of the same have been available to the
98 public at the company's business office.

99 Q. Do you believe that all fuels and gas were prudently purchased?

100 A. Yes, I do.

101 Q. Do you have anything further at this time?

102 A. No, this concludes my testimony.